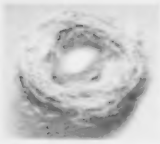
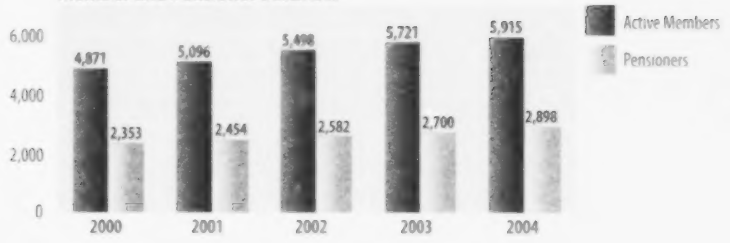


Universities Academic Pension Plan

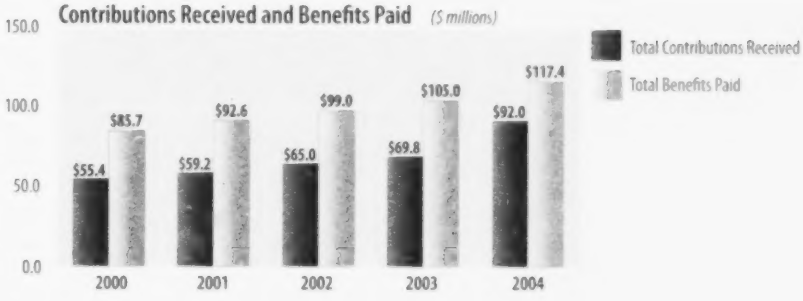
2004 ANNUAL REPORT

Member and Pensioner Statistics



Assets and Liabilities *($ millions)*

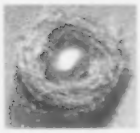
Contributions Received and Benefits Paid *($ millions)*



Assets & Liability Summary
As at December 31

($ millions)

	2004	2003
Net Investments	$ 1,895	$ 1,725
Net Receivable	9	6
Net Assets	1,904	1,731
Actuarial adjustment for fluctuation in fair value of net assets	(96)	3
Actuarial Value of net assets	1,808	1,734
Actuarial Deficiency	644	538
Accrued pension liability	$ 2,452	$ 2,272



PROFILE

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the *Public Sector Pension Plans Act* (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the *Employment Pension Plans Act* (Alberta) and the *Income Tax Act* (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 5,900 active members, 875 deferred members and 2,900 pensioners.
- The UAPP Fund's market value at the end of 2004 was $1.9 billion.

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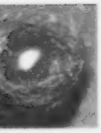
June 2005



GOVERNANCE OF THE PLAN

BOARD COMPOSITION

The Board of Trustees (Board) of the Universities Academic Pension Plan oversees the Plan. The Board is composed of four employer trustees, four employee trustees and one employer representative. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

BOARD MANDATE

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- stable contribution rates,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to do UAPP business better.

ADMINISTRATION SERVICES PROVIDER
Mellon Human Resources & Investor Solutions
Member Pension Inquiries
1-866-709-2092

PENSIONER PAYROLL
CIBC Mellon Global Securities Services Company
Pensioner Payroll Inquiries
CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
1-800-565-0479
www.CIBCMellon.com

INVESTMENT MANAGEMENT
Alberta Investment Management,
the investment operations group of Alberta Finance

ASSET CONSULTANTS
Aon Consulting Inc.

ACTUARY
Mercer Human Resource Consulting

AUDITOR
KPMG LLP

105-075457

Back Row:
Bill Grace
Dan Furgason
Art Nutt
Keith Winter
David Burnett
Virendra Gupta

Front Row:
Mary Hamilton
Nancy Walker
Ted Horbulyk
Mazi Shirvani

BOARD OF TRUSTEES – 2004

EMPLOYER APPOINTEES

David Burnett, CA
Athabasca University

Bill Grace, FCA
University of Alberta

Nancy Walker, CA (Vice-Chair)
University of Lethbridge

Keith Winter, PhD
University of Calgary

REPRESENTATIVE

Art Nutt, CGA
The Banff Centre for Continuing Education

EMPLOYEE APPOINTEES

Daniel Furgason, BSc
University of Lethbridge

Mary Hamilton, PhD
Athabasca University

Ted Horbulyk, PhD (Chair)
University of Calgary

Mazi Shirvani, PhD
University of Alberta

EXECUTIVE DIRECTOR

Virendra Gupta, MASc, CFA

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

David Burnett
Auke Elzinga, FCA
Bill Halford, FCA
Mary Hamilton
Nancy Walker, Chair

INVESTMENT COMMITTEE

Ron Bercov, PhD
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Bob Normand, President & CEO of ATB Financial, Edmonton
Keith Winter

105-07645/

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University of Calgary

Mazi Shirvani, PhD
University of Alberta

CHIEF EXECUTIVE OFFICER

Virendra Gupta, MASc, CFA

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Bill Halford, FCA
Mary Hamilton
Nancy Walker, Chair

INVESTMENT COMMITTEE

Ron Bercov, PhD
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Bob Normand, President & CEO of ATB Financial, Edmonton
Keith Winter

A MESSAGE FROM THE CHAIR

In 2004 the UAPP's Fund earned a market rate of return of 11.7%. This placed our Plan in the top 25% of comparable funds, and marks this Fund's second consecutive year of double-digit returns. The excellent returns have contributed to an increase in the market value of the Plan's assets of more than $362 million over the last two years. However, because of the increases in the liabilities over this period and the need to make up the deficit caused by the negative returns of 2001 and 2002, the Plan's funded position on an actuarial basis did not improve.

The recently completed actuarial valuation report shows that at year-end 2004, the Plan had an unfunded liability of $518 million for pre-1992 service and $126 million for post-1991 service. In order to keep the Plan on a sound financial track, the Board, on the advice of its actuary, approved a total contribution rate increase of about 2.3% of salary effective July 1, 2005. The possibility of a rate increase of this magnitude had been widely communicated since the 2002 actuarial valuation. If the assumptions underlying the latest actuarial valuation are realized, the new rates will pay the normal costs of the Plan and retire the unfunded liability as required by the *Employment Pension Plans Act* (Alberta).

The UAPP is not alone in increasing contribution rates. Most large defined benefit pension plans have been grappling with funding issues resulting from near record low interest rates and from the lingering effects of the down markets in the first three years of this century. This issue is not limited to Canada or even North America. It seems to be a worldwide phenomenon. Consequently, most similar plans face increasing contribution rates.

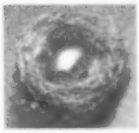
In order to examine the possibilities for improving the Plan's returns in relation to its liabilities, the Board completed an asset/liability study. This research examined the risk versus return characteristics of the existing asset mix and those of other potential asset mixes. The study examined such additional asset classes as real estate, infrastructure investments, hedge funds and private equity. The study modelled projections of the Plan's assets, going concern liabilities, normal costs and contribution rates under different asset mixes.

After reviewing the results of the study, the Board decided to change the strategic asset mix of the Fund portfolio. The Board has allocated 5% of the Fund to Real Estate and another 2.5% to a Private Income Pool (PIP) that could include infrastructure projects and other investments with higher current income than the more traditional asset classes. Allocations to Money Market securities and Real Return Bonds will be reduced to make room for the new investments.

Real Estate and PIP investments fit many of the characteristics of the Plan's liabilities and are currently expected to yield higher returns than Real Return Bonds, whose real returns have fallen substantially in the last few years. Investments in Real Estate and PIP will be made as suitable opportunities become available. It will take a few years to place, fully and effectively, the proposed allocations to these investments.

In addition to the asset/liability study, the Board examined other areas of potential risk to the UAPP and the measures currently in place to control these risks. The Board will continue to take action to reduce these risks where possible.

Corporate governance remains a topical issue. As a shareholder of many public companies, the Fund has an opportunity to influence the direction of specific companies through the exercise of shareholder votes. All of the UAPP's proxies are voted in



the best interests of the Plan's beneficiaries and in accordance with pre-established policies published on the UAPP website. These procedures and the policy are reviewed regularly by UAPP's investment manager, Alberta Investment Management (AIM), to reflect recent developments in corporate governance. As a result, AIM's guidelines with respect to corporate governance reflect the principles of the Dey Report, the Office of the Superintendent of Financial Institutions (OSFI) guidance on proxies for pensions plans, guidance of the Canadian Coalition on Good Governance and best practices employed in other leading Canadian pension plans.

In 2004, the second year of our relationship with Mellon Human Resources and Investor Solutions (Mellon), we continued to solidify the new pension administration system and to complete the development of the remaining components. In addition to the completion of many details of the administration system, the Plan implemented gender-neutral mortality tables and developed a web-based Retirement Planning Tool for members. In order to keep members and sponsors informed and up-to-date on matters related to the Plan, the Board is issuing a quarterly Communiqué. This Communiqué covers a wide range of topical issues in plan benefits, investments, plan liability and funding, and capital markets. We encourage the readers to write to us if they would like a particular topic addressed in a future issue of the Communiqué. The Communiqué is provided in addition to a large number of documents made available on the UAPP website **www.uapp.ca**.

The Board continued to work with Plan Sponsors and the Sponsors' Working Group to finalize a set of recommended administrative changes to the Plan. These changes, once finalized and implemented, will help simplify Plan administration over time.

On behalf of the UAPP, I would like to thank Mary Hamilton who left the Board at the end of the year after 15 years of dedicated service as a Trustee. I want to express the Board's gratitude to Ron Bercov, Bob Hager and Bob Normand, external members on the Investment Committee, and Bill Halford and Auke Elzinga, external members on our Audit Committee, for their wise counsel and generous service to the UAPP.

Our relationship with AIM, who acts as the UAPP's investment manager, is very important to us. AIM plays a critical role in implementing the investment policy of the Board and in adding value relative to the UAPP Fund's policy benchmark. We want to thank Douglas Stratton and David Finstad of AIM for their valuable assistance in coordinating our relationship with AIM.

I am proud of my colleagues on the Board for their service and commitment to the UAPP. I want to thank them for their cooperation and for their support of me in my role as Chair.

It is not possible to carry out our mandate without dedicated staff. I want to thank our Executive Director, Virendra Gupta, and the team for their outstanding service to the UAPP and support to the Board.

Ted Horbulyk, PhD
Chair, Board of Trustees

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION OF THE PLAN

To assess the UAPP's financial position, the Board undertook an actuarial valuation of the Plan as at December 31, 2004. The table below provides the financial position of the Plan at year-end 2002 and 2004.

($ millions)	December 31, 2004			December 31, 2002		
	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Fair Value of Net Assets	1,082.7	821.3	1,904.0	984.9	556.5	1,541.4
Actuarial Adjustment	(55.6)	(40.4)	(96.0)	98.4	55.8	154.2
Actuarial Value of Net Assets	1,027.1	780.9	1,808.0	1,083.3	612.3	1,695.6
Accrued Liability	1,545.0	907.0	2,452.0	1,461.8	643.5	2,105.3
Actuarial Deficiency	(517.9)	(126.1)	(644.0)	(378.5)	(31.2)	(409.7)
Funded Ratio	66.5%	86.1%	73.7%	74.1%	95.1%	80.5%

ASSET PERFORMANCE

The last valuation of the Plan was done as at December 31, 2002. Since the last valuation, on the asset side, the Plan experienced good returns both in 2003 and in 2004. These were 15% and 11.7% respectively. As a result, the Fund's market value has grown at a faster rate than the rate assumed in the 2002 actuarial valuation. However, the Plan's funded status and contribution rates are predicated on the basis of the actuarial value (smoothed value) of assets.

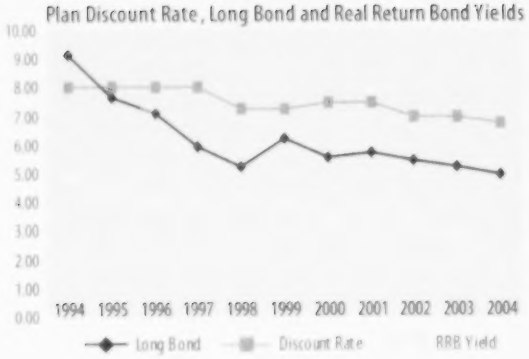
Smoothing is employed to reduce the volatility associated with market values that will otherwise be reflected in contribution rate changes. The market value of assets is adjusted by a smoothing method to arrive at the actuarial value. In good markets, the market value of assets will tend to be higher than the actuarial value and, in bad markets, it will be lower. At the end of 2002, after three years of down markets, the market value of the Plan's assets was $154 million lower than the actuarial value. Now, at the end of 2004, after two years of good markets, the market value is $96 million higher than the actuarial value. That means even though the good returns of the last two years have raised the market value of the Fund by over 23%, the actuarial value has gone up by only 6.6%.

Based on the actuarial value of assets, the Plan was 74% funded as of December 31, 2004. This does not include the $96 million, or about 4% of the total liability, that is held in reserve as an actuarial adjustment for fluctuation in fair value of net assets. It also does not include the Province of Alberta's share of the pre-1992 unfunded liability which is estimated at $183.4 million, or 7.5% of the total liability at December 31, 2004.

INCREASES IN LIABILITIES

In terms of the liabilities of the Plan, increases in salaries and cost-of-living adjustments to retirees over the last two years have been higher than assumed in the 2002 valuation. The 2005 Federal Budget has proposed further increases in the maximum pensionable salary limits. These differences from assumptions have together tended to increase Plan liabilities.

In addition to the experienced losses, there have been other pressures on the Plan. Interest rates have not only remained close to 40-year lows but long bond rates have dropped about 50 basis points since the last valuation. As indicated in the graph, over the last 10 years, the Plan has had to cope with a dramatic decline in bond yields. To manage this, the Board has been gradually reducing the discount rate and in this valuation, on the recommendation of the actuary, the discount rate was lowered to 6.75% from 7.0%. Keeping all other assumptions constant, a 1% change in discount rate adds about 13% to the liabilities and would increase the current service costs of the Plan by about 3.3% of salary.



The expected growth in liabilities and the impact of the above factors pushed the increase in liabilities to over 16% in the last two years. However, during the same time, the Plan's active membership has grown by more than 7.5%. This increase in membership helps spread the payments for the unfunded liability over a larger base.

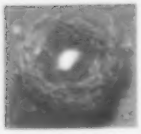
NEW CONTRIBUTION RATES

The combined impact of increases in the liabilities and the assets is to lower the Plan's funded status on an actuarial value of assets basis. Therefore, in order to keep the Plan on a sound financial track and to abide by the funding requirements of the *Employment Pension Plans Act* (Alberta), the Board, on the advice of its actuary, has raised the total contribution rates by about 2.3% of salary. The total increase is to be equally split between employers and employees. The new contribution rates as of July 1, 2005 are as follows:

UAPP CONTRIBUTION RATES AS OF JULY 1, 2005

	Universities of Alberta, Calgary & Lethbridge		Athabasca University & The Banff Centre	
Salary Portion	**Employee**	**Employer**	**Employee**	**Employer**
On earnings up to YMPE	9.175%	9.175%	8.675%	9.675%
On earnings in excess of YMPE up to pensionable salary cap	11.575%	11.575%	11.075%	12.075%
On earnings in excess of pensionable salary cap	1.14%	1.14%	1.14%	1.14%

Note: For 2005, the YMPE is $41,100 and the pensionable salary cap is $112,330.



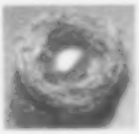
LOOKING TO THE FUTURE

Returns from capital markets and the Canadian interest rates have gone through many cycles over the last century. We are currently in an environment of low inflation and low interest rates. The Bank of Canada has been successful in keeping inflation within its target range of 1% - 3%. There is little reason to suggest that the Bank will not be able to keep inflation within its target range over the near term. Interest rates are unlikely to move dramatically higher. Currently, the market valuations are above their long run historic averages and the dividend yield is below 2%. Given this environment and real economic growth expectations of around 3% over the medium term, most analysts expect capital market returns to be in the single digit area over the next 5-10 years.

This implies that in the near term, the UAPP will have to manage its balance sheet in a low return and a low discount rate environment. The volatility of capital market returns can severely impact the Plan's balance sheet and, if not moderated, can cause the contribution rates also to be volatile. To facilitate stability of contribution rates and enhance inter-generational equity, the Board has used smoothing of market value since 1995. Unlike at the end of 2002 when we had a deficit of $154 million in smoothing reserve, now we have a positive reserve of $96 million. This will help increase the actuarial value of assets over the next two years in addition to the returns that might be made in those years and dampen any contribution rate increase that might otherwise be required.

On the investment side, the Board adjusted the asset mix of the Plan to include Real Estate and Private Income Pool (PIP) investments because such investments are considered inflation-sensitive and provide a higher current yield plus a return reflecting appreciation in value. These investments will also serve to further diversify the portfolio. Such inflation-sensitive investments, though not as liquid as public capital markets, will play an increasing role in the Plan's asset mix because they are seen as a good match for the movements in the Plan's liabilities. The Board will continue to focus on exploring opportunities to enhance the Plan's return and on measuring and managing the investment risks faced by the Plan.

The Plan's liabilities are impacted by many demographic and economic factors. These include inflation rates, interest rates, improvements in mortality, retirement ages, and salary increases. The Board will continue to work with the actuary to manage the impact of changes in these factors on the Plan's liabilities and prudently set contribution rates to fund the Plan. Keeping the Plan on a sound financial track will remain a key objective of the Board.



INVESTMENT REPORT

INVESTMENT CONSIDERATIONS AND APPROACH

As indicated in the previous discussion, the total return achieved from the Plan's investments directly impacts the contributions required to fund the Plan. The higher the returns, the lower the contributions required from employers and employees to pay the benefits under the Plan. That fact, combined with the long-term nature of the Plan's liabilities, would suggest an investment strategy that maximizes long-term rates of returns.

Higher returns though, often come with higher volatility. Equities, which have the greatest long-term rates of returns, also experience the greatest volatility. For example, the data for Canadian equities and long bonds from 1924 to 2004 show that the annual compound return for equities and bonds was 10.0% and 6.7% respectively. However, the standard deviation on annual returns for equities was 18.7% versus 9.1% for long bonds. Volatility of returns on assets is a major challenge as the liability side of the balance sheet continues to grow from one year to the next.

The UAPP is required by law to perform an actuarial valuation of the Plan at least once every three years and adjust contribution rates, if necessary, to meet the specified funding standards. The volatility in short-term investment results makes the goal of stable contribution rates difficult to achieve. Stable contribution rates are preferred because stable rates not only aid financial planning and budgeting but also promote intergenerational equity among Plan members.

Management of the Plan requires an investment approach that seeks to balance the potential for long-term gains against short-term volatility. The Plan's investment program attempts to obtain superior long-term returns historically produced by equity investments while controlling volatility of returns through diversification of investments across various asset classes and markets.

INVESTMENT POLICY

The investment policies of the Plan are set out in the Statement of Investment Policies and Goals (SIP&G) reflecting the investment beliefs of the Board. The Board reviews the SIP&G at least once a year and makes adjustments as necessary. A key decision is the asset mix policy or the Fund's long-term allocation to the different asset classes. Asset allocation is one of the most significant determinants of the Fund's return. This year, the Board completed a comprehensive asset/liability study for the Plan. The purpose of the study was to analyze the risk-return profile of the current asset mix and alternative asset mixes under different economic scenarios within the context of the Plan's liability structure. The study also considered alternative asset classes such as real estate, private income, private equity, and hedge funds.

The Board revised the long-term target asset mix for the Plan after completing the asset/liability study. Changes included a first-time allocation of 5.0% of the Fund to Real Estate and 2.5% to a Private Income Pool (PIP). These allocations will be funded through decreasing allocation to fixed income securities (specifically cash and real rate of return bonds) from 35.0% to 27.5% of the Fund. Investments in Canadian, US, and non-North American public equities remained unchanged at 65.0% of the Plan's target asset mix. The move into Real Estate and PIP reflects an expectation of low returns in the near term in the public markets, a desire to diversify sources of return within the Fund and a need to maintain an inflation-sensitive stream of income reflective of the Plan's long-term funding requirements.

...continued on page 10

TOTAL FUND PERFORMANCE

At the end of 2004, the market value of the Plan's investments totaled $1,895 million, up $170 million from $1,725 million at the end of the previous year after accounting for a net negative cash flow of $27 million. The time-weighted return was 11.7% net of fees in 2004 compared to 15.0% in 2003.

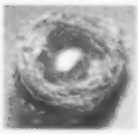
Investment Policy, continued...

PIP investments are to be structured to provide high current income and could include infrastructure projects, bridge loans, and corporate finance arrangements with high current income. Investments in Real Estate and PIP will be made as suitable opportunities become available.

The table below summarizes the Board's long-term target asset mix and current policy asset mix for 2004 compared to 2003 and the actual asset mix of investments.

ASSET MIX %

December 31, 2004	Long-term Objective (Target)	Policy Asset Mix 2004	Policy Asset Mix 2003	Actual 2004	Actual 2003
Fixed Income					
Cash & Short-term	0.5%	0.5%	2.0%	0.6%	0.8%
Long-term	18.0%	18.0%	18.0%	17.1%	17.1%
Real Return Bonds	9.0%	13.5%	15.0%	13.2%	14.7%
Total	**27.5%**	**32.0%**	**35.0%**	**30.9%**	**32.6%**
Public Equities					
Canadian	20.0%	20.0%	20.0%	20.6%	20.9%
United States	20.0%	20.0%	20.0%	19.3%	19.6%
Europe, Australasia, Far East	22.0%	22.0%	22.0%	22.7%	23.3%
Emerging Markets	3.0%	3.0%	3.0%	3.3%	3.4%
	65.0%	**65.0%**	**65.0%**	**65.9%**	**67.2%**
Real Estate	**5.0%**	**2.5%**	**0.0%**	**2.4%**	**0.0%**
Private income	**2.5%**	**0.5%**	**0.0%**	**0.8%**	**0.2%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**



The strong performance was driven by another good year for the Canadian equity market. The Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index, which measures the performance of Canada's top companies, reported an increase of 14.5% compared to an increase of 26.7% the previous year. Higher personal consumption, low interest rates, surging employment, strong exports, and rising disposable income contributed to the buoyant economy. The housing market in particular continued to be robust. Canadian equity market performance was also helped by oil prices that increased to record levels during the year before settling down by year-end.

...continued on page 12

IMPLEMENTATION OF THE INVESTMENT PROGRAM

Alberta Investment Management (AIM), the investment operations group of Alberta Finance, manages the Plan's investments within the framework set by the Board's SIP&G and handles related day-to-day investment operations. The investment manager has the flexibility to vary allocations to an asset class within the prescribed limits in order to add value over the policy benchmark.

All fixed income investments, a portion of Canadian equities and many index-based investments are managed in-house by AIM. In addition, external investment managers with specialized mandates are engaged by AIM with a goal of achieving above-benchmark returns through active investments in the Canadian, US, and non-North American equity markets.

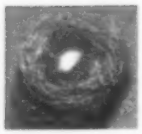
The relationship with AIM allows the UAPP to implement an investment program driven by its investment beliefs and policies while taking advantage of the scale and scope of opportunities provided by being part of a large set of funds. This results in lower cost and access to a broader array of investment opportunities.

EVALUATING INVESTMENT PERFORMANCE

A key assumption in calculating the Plan's liabilities is the long-term real rate of return, i.e. the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this long-term assumption. Over the last several valuations, the Plan's actuary has used a long-term real return rate of 4.0% in estimating the liabilities and, therefore, this number is the long-term investment return target for the Plan.

The Plan's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks. In this case, the performance of the Plan is measured against a policy benchmark return calculated using the Plan's policy allocation to each asset class and the market index return for the specific class.

Finally, investment performance can be compared to other funds. This comparison is useful to the extent that the funds being compared have similar investment objectives, constraints and policies. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities. As a result, these comparisons are best made at the individual mandate level and, in some cases, at the asset class level.

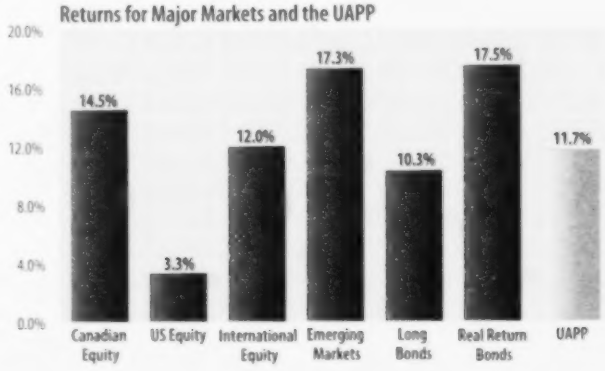


Total Fund Performance, continued...

Real return bonds were the best performing asset class, returning 17.5%. While returns to date for real return bonds have been good, continued demand coupled with limited supply has lowered the real return on these bonds and, as a result, have made them an expensive means of gaining inflation protection. Further, despite continued economic growth and strength in commodity prices, interest rates edged down in 2004. As a result, the Scotia Capital long bond index also had a fairly healthy return of 10.3%.

Non-North American markets performed well. The Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE Index) measures the performance of approximately 1,000 companies on 21 stock exchanges around the world. The Index increased by 12.7% during the year in local currency and 12.0% in Canadian dollars. In addition, Emerging Markets also performed well with the MSCI Emerging Market Free Index returning 17.3% fueled in part by continued growth in the Chinese economy.

Returns for Major Markets and the UAPP



Equity markets in the US grew at a more modest pace. While capital investment was strong, other indicators such as weaker-than-expected employment numbers and lower-than-expected consumer spending indicated a more modest rate of growth. In addition, record oil prices during the mid-part of the year inhibited growth. The S&P 500 Index, which tracks the performance of the top 500 American companies, increased by 10.9% over the year in US dollars. However, currency continued to have a negative impact on returns as the US dollar declined further in 2004. As a result, the value of the Plan's US equity investments declined in Canadian dollar terms resulting in only a 4.0% return.

Fund Return and the Real Return Objective Annual Annualized CPI +4%

Looking at the Plan's performance relative to the real rate of return objective, the chart above compares the Plan's actual annual investment returns to the required returns based on the real return objective of 4.0% both annually for the last eight years and on a compound annualized basis for the last 4 and 8-year periods.

Returns over the last two years have been very strong but because of the negative returns in 2001 and 2002, the Plan's actual annualized real rate of return lagged the target over the last four years. Looking over the eight-year period, Plan returns have been sufficient to meet the Plan's long-term funding target of a 4.0% real rate of return.

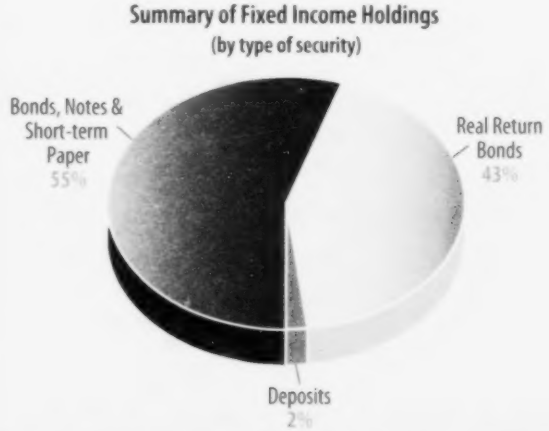
On a net basis (after all expenses), the investment manager has added 30 basis points to the Plan's return on a compound annualized rate over the last eight years. This has translated into a cumulative increase of about 2.0% in the total asset value of the Plan over the period.

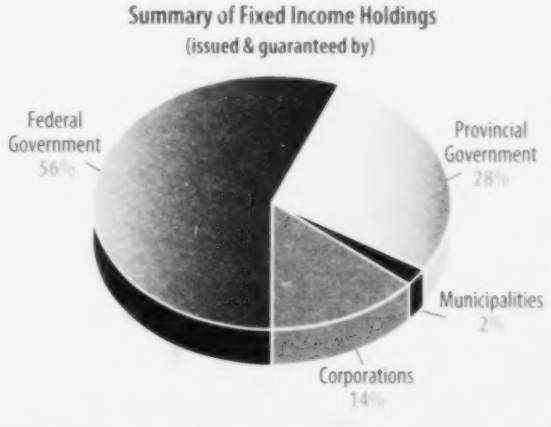
PERFORMANCE BY ASSET CLASS

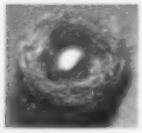
FIXED INCOME INVESTMENTS

The UAPP fixed income component includes cash, long bonds and real return bonds. It totaled 30.9% of total investments or $586 million at December 31, 2004 (32.6% or $561 million at December 31, 2003). This segment of the Fund is managed internally by AIM.

Overall, the Plan's fixed income investments out-performed their respective benchmarks. Long bonds (which accounted for 17.1% of the Plan's investments) returned 10.4% in 2004 compared to the Scotia Capital Long Bond Index of 10.3%, while real return bonds (which made up 13.2% of Plan investments) returned 17.6% versus the Scotia Capital Real Return Bond Index of 17.5%. The cash and short-term component (which fluctuates between 0.5% and 1.0% of total Plan assets) had a return of 2.2%, compared to 2.3% from the Scotia Capital 91-Day T-bill Index.







Short-term Fixed Income	Actual Return %	Benchmark Index SC 91-Day T-Bill Index %	Net Value Added bps*
One year	2.2	2.3	-10
Four year	3.2	3.1	10

* One basis point equals .01%

Long-term Fixed Income	Actual Return %	Benchmark Index SC Long Bond Index %	Net Value Added bps
One year	10.4	10.3	10
Four year	9.4	9.1	30

Real Return Bonds	Actual Return %	Benchmark Index SC Real Return Index %	Net Value Added bps
One year	17.6	17.5	10
Four year	11.1	11.4	-30

CANADIAN PUBLIC EQUITIES

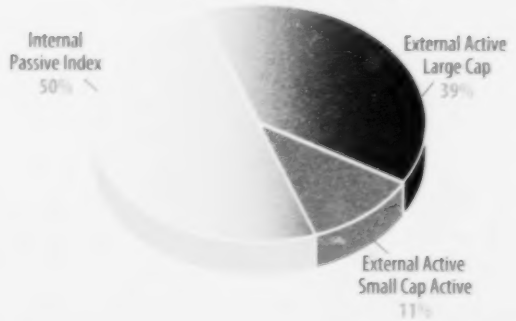
At December 31, 2004, Canadian public equities represented 20.6% of the UAPP's total investments or $389 million compared to 21.0% or $364 million at the end of the previous year. Canadian equities are managed through several strategies, including indexed and active mandates. AIM internally manages the passive index while external investment managers actively manage a large cap multi-style strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles) and the small cap strategy.

Top 10 Canadian Equity Holdings

December 31, 2004

Company	%
Bank of Nova Scotia	4.5%
Manulife Financial Corp	4.4%
Royal Bank of Canada	3.5%
Encana	3.4%
Toronto Dominion Bank	3.3%
Alcan Inc.	2.8%
Bank of Montreal	2.7%
Sun Life Financial Services	2.6%
Petro Canada	2.2%
Canadian National	2.0%

Summary of Canadian Equity Holdings



Canadian Equities	Actual Return %	Benchmark Index S&P/TSX Composite Index %	Net Value Added bps
One year	14.9	.9	0
Four year	3.7	2.8	90

The actual return from Canadian equity investments over the year was 14.9%, compared to the S&P/TSX Composite Index of 14.9%.

FOREIGN EQUITIES

The Plan's foreign equity policy allocation is 45.0% of the UAPP Fund. US equities comprise 20.0% of total Plan investments while equity stocks in Europe, Australasia and the Far East (EAFE) total 22.0% and emerging markets are allocated 3.0%.

US PUBLIC EQUITIES

At December 31, 2004, US public equities comprised 19.3% of the Plan's total investments or $366 million compared to 19.6% or $337 million the previous year. The portfolio is comprised of internally managed passive index strategies and externally managed active large cap and small cap strategies.

The Plan's actual return from US equity investments in 2004 was 4.0%, 70 basis points better than the benchmark S&P 500 Index of 3.3% in Canadian dollars.

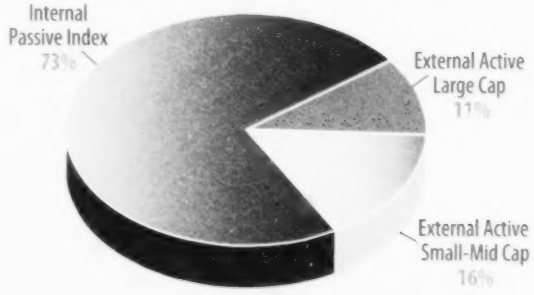
	Actual Return	Benchmark Index S&P 500 Index	Net Value Added
US Equities	%	%	bps
One year	4.0	3.3	70
Four year	-5.2	-5.9	70

Top 10 US Equity Holdings

December 31, 2004

Company	%
General Electric Co.	2.7%
Microsoft Inc.	2.1%
Exxon Mobil Corp.	2.1%
Citigroup Inc.	1.9%
Wal-Mart Stores	1.6%
Pfizer Inc.	1.5%
Johnson & Johnson	1.4%
Bank America Corp	1.3%
American International Group Inc.	1.2%
Proctor & Gamble	1.1%

Summary of United States Equity Holdings

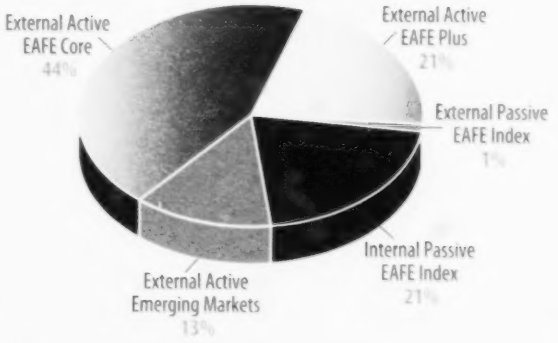


Top 10 EAFE Equity Holdings

December 31, 2004

Company	%
Total SA	1.9%
Vodafone Group	1.2%
Royal Dutch Petroleum	1.1%
BP PLC	1.1%
Glaxosmithkline	1.1%
Shell Transport	1.0%
Novartis AG	0.9%
Toyota Motor Corp	0.9%
ENI	0.9%
Credit Suisse GRP	0.9%

Summary of EAFE Equity Holdings


External Active EAFE Core 44%
External Active EAFE Plus 21%
External Passive EAFE Index 1%
Internal Passive EAFE Index 21%
External Active Emerging Markets 13%

NON-NORTH AMERICAN PUBLIC EQUITIES

EUROPE AUSTRALASIA AND FAR EAST (EAFE)

The Plan's EAFE exposure comprised 22.7% or $431 million of the total Fund at December 31, 2004 compared to 23.3% or $403 million the previous year. The EAFE equity portfolio consists of internally managed passive index strategies and externally managed EAFE Core and Plus strategies.

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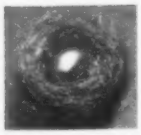


EAFE, continued...

The Plan's actual return from EAFE equity investments in 2004 was 11.7%, 30 basis points less than the benchmark return MSCI EAFE Index of 12.0% in Canadian dollars.

Europe, Australasia, Far East	Actual Return	Benchmark Index MSCI EAFE Index	Net Value Added
	%	%	bps
One year	11.7	12.0	-30
Four year	-2.5	-3.1	60

EMERGING MARKETS

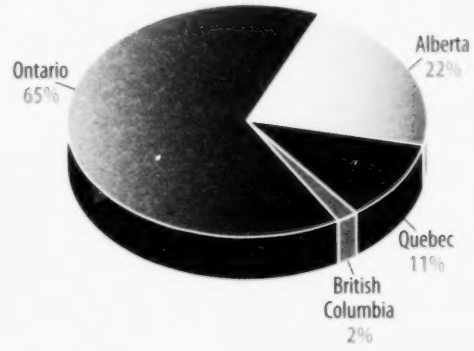
The Plan's Emerging Market portfolio totals 3.3% or $62 million of the total Fund at December 31, 2004 compared to 3.4% or $58 million the previous year. The Emerging Market mandate is externally managed and returned 20.1% in 2004, 280 basis points better than the MSCI Emerging Market Free Index of 17.3% in Canadian dollars.

Emerging Markets	Actual Return	Benchmark Index MSCI Emerging Market Free Index	Net Value Added
	%	%	bps
One year	20.1	17.3	280
Four year	10.5	9.7	80

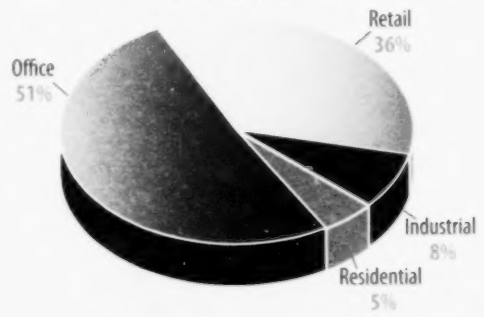
REAL ESTATE

During the year, the Plan invested in Real Estate in Canada. At December 31, 2004, Real Estate investments comprised 2.4% or $46 million of the Fund. Real Estate investments offer diversification, current income and are expected to increase in value with inflation. The Real Estate portfolio includes a mix of retail, office, residential and industrial properties located in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties featuring strong locations and tenants.

Real Estate by Province



Real Estate by Sector



ALTERNATIVE INVESTMENTS

The Plan's alternative investment portfolio consists of investments in PIP. These investments, among other things, include infrastructure projects and are structured to yield high current income. At December 31, 2004, PIP comprised 0.8% of total Plan investments or $16 million compared to 0.1% or $2.0 million at the end of the previous year. In 2004, PIP returned 4.5%.

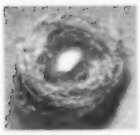


TABLE OF INVESTMENT RETURNS*

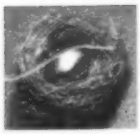
	Annual Returns				Annualized	
	2004	2003	2002	2001	4yr	8yr
	%	%	%	%	%	%
Total Fund	11.7	15.0	-6.3	-5.1	3.4	6.7
Policy Return	11.6	14.0	-7.1	-5.3	2.9	6.4
Consumer Price Index (Canada)	2.1	2.0	4.3	0.7	2.2	2.0
Short-term fixed income	2.2	3.0	2.8	4.9	3.2	4.1
SC 91-Day T-Bill Index	2.3	2.9	2.5	4.7	3.1	3.8
Long Duration Bonds	10.4	9.4	11.9	5.9	9.4	7.7
SC Long Bond Index	10.3	9.1	11.1	6.1	9.1	9.1
Real Return Bonds	17.6	13.5	15.3	-0.9	11.1	9.9
SC Real Return Bond Index	17.5	13.3	15.3	0.5	11.4	10.1
Long-term fixed income	13.9	11.4	14.0	2.8	10.4	8.7
Fixed Income Index (a)	13.5	11.0	13.0	3.6	10.2	8.8
Russell Bonds Median	7.2	6.9	8.8	8.0	7.8	7.4
Canadian Equities	14.9	26.4	-12.0	-9.5	3.7	7.6
Canadian Equity Index (b)	14.9	26.7	-12.4	-12.6	2.8	7.4
Russell Canadian Stocks Median	15.8	26.5	-9.1	-3.1	7.0	10.5
United States Equities	4.0	7.8	-22.5	-7.1	-5.2	4.8
Standard & Poor's 500 Index	3.3	5.3	-22.9	-6.4	-5.9	6.2
Russell US Stocks Median	2.8	5.0	-22.9	-5.8	-5.8	5.3
Europe, Australasia and Far East	11.7	14.3	-15.8	-16.0	-2.5	5.5
MSCI EAFE Index	12.0	13.4	-16.8	-16.5	-3.1	3.2
Russell non-North American Stocks Median	11.6	11.3	-16.1	-16.0	-3.1	6.4
Emerging Markets	20.1	25.1	-6.0	5.7	10.5	n/a
MSCI Emerging Markets Free	17.3	27.8	-7.0	3.8	9.7	n/a
Russell Emerging Markets Median	17.0	29.8	-4.8	5.2	11.0	5.0
Foreign Equity	8.9	12.3	-18.0	-10.6	-2.7	5.3
Foreign Equity Index (c)	8.9	10.7	-18.9	-10.5	-3.3	5.3
Russell World Equity Median	7.0	9.3	-20.1	-9.9	-3.2	5.6
Real Estate	n/a	n/a	n/a	n/a	n/a	n/a
Real Estate Index	n/a	n/a	n/a	n/a	n/a	n/a
Alternative Investments	4.5	n/a	n/a	n/a	n/a	n/a
Alternative Investments Index	n/a	n/a	n/a	n/a	n/a	n/a

(a) 57.1% SC Long Bond Index and 42.9% SC Real Return Bond Index

(b) 100% S&P/TSX Composite Index

(c) 44.4% S&P 500 Index, 48.9% MSCI EAFE Index and 6.7% MSCI Emerging Markets Free Index

* *UAPP returns are net of fees while the Median returns are all gross of fees.*



ADMINISTRATION REPORT

The Sponsorship and Trust Agreement designates the Board as responsible for the administration of the UAPP. Plan administration, including collecting member data and contributions, the paying of pensions and other benefits, and communicating information to members, pensioners and employers, forms a major part of this responsibility.

CONSOLIDATION OF THE NEW PENSION SYSTEM

Substantial progress was made during 2004 on the ongoing development of the new administration services system, and by year-end there were only a small number of tasks left to complete in 2005. Two of the more challenging projects completed in 2004 had to do with the conversion of deferred member records onto the new system, and the provision of an online pension estimator to assist members in planning for their retirement. Conversion of the deferred records was completed and successfully implemented in July 2004. The Internet-accessible pension estimator was pilot-tested towards the end of 2004.

The remaining features of the new systems development are on target to be implemented during 2005. Over the next couple of years, members and employers should increasingly see the substantial benefits expected to flow from the operation of the new system.

PLAN COMMUNICATIONS

Revised and updated Member Handbooks and Information Sheets were provided and distributed during 2004, and Communiqués were issued quarterly to update members and employers on topical subjects related to pensions. In addition, members were provided with personal annual statements containing details of their plan status at the end of 2003.

OTHER DEVELOPMENTS

Preparatory work to implement the new standard adopted by the Canadian Institute of Actuaries for calculation of commuted values under the Plan and to perform an actuarial valuation of the UAPP as at December 31, 2004 was undertaken. In addition, the Plan processed a cost-of-living allowance for pensioners effective January 1, 2005.

2004 CONTRIBUTIONS AND PAYMENTS

During the year, the total payments of benefits to pensioners and terminated members rose by 11.8% (2003: 6.1%) from $105.0 million to $117.4 million. However, primarily because of the increase in contribution rates implemented on January 1, 2004, but also due to the continuing increase in Plan membership and member salaries, total contributions grew much faster from $69.8 to $92.0 million. This resulted in pension expenditures exceeding receipts by only $25.4 million compared to $35.2 million the previous year.

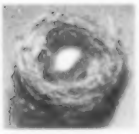
ACTIVE MEMBERSHIP

Membership in the UAPP continued to increase during 2004, rising from 5,721 at the end of 2003 to 5,915 at December 31, 2004. Pension contribution rates were

STATISTICS

PARTICIPATION

	2004	2003
Active Members	5,915	5,721
Deferred Members	874	799
Pensioners	2,898	2,700
TOTAL	9,687	9,220



increased effective January 1, 2004 pursuant to the 2002 actuarial valuation. Accordingly, total contributions from employers and employees increased from $63.6 million to $77.4 million for post-1991 service, and for pre-1992 service from $0.6 million to $8.5 million. The Province of Alberta also made a contribution of $6.0 million in respect of the pre-1992 unfunded liability.

TERMINATED AND DEFERRED MEMBERS

Termination benefits amounting to $9.8 million ($2003 $7.0 million) were paid during the year to or on behalf of former members of the UAPP. This amount included $1.8 million to the spouses of members who died in service. $3.4 million was transferred to locked-in retirement plans for the terminating members. The number of members who had terminated their employment with a UAPP employer but had not made a decision regarding their benefit choice climbed from 799 at year-end 2003 to 874 at the end of 2004.

PENSIONERS

The number of former employees and their spouses receiving a pension from the UAPP continued to rise, increasing from 2,700 in 2003 to 2,898 in 2004 (7.3%). 209 new pensioners commenced in 2004, and the most popular pension choice was a Joint Life with a 10-year guarantee. The total amount paid to pensioners rose from $98.1 million in 2003 to $107.6 million in 2004. Pensioners were granted cost-of-living increases of 3.42% effective January 1, 2004 and 0.78% effective January 1, 2005.

PLAN EXPENSES

Management continuously strives to provide services in the most efficient and cost-effective manner. In 2004, the UAPP's administration and investment management expenses amounted to $1.6 million ($169 per member) compared to $1.5 million ($167 per member) in 2003.

THE YEAR AHEAD

The initial priority for UAPP management in the first half of 2005 is to complete the development of the new pension administration system. Other initiatives scheduled for 2005 include:

- Completing the implementation of a password-protected pension estimator to enable members to estimate their retirement pensions
- Providing an updated Member Handbook
- Implementing changes to simplify optional service processing and to delete unnecessary pension options
- Further developing performance measurement for pension administration
- Continuing to focus on improving services to UAPP employers
- Completing the enhancement of the UAPP website

Management is confident that progress will continue to be made in 2005 towards its goal of excellence in the provision of plan administration services.

NEW PENSIONERS

	2004	2003
Normal Retirements	42	58
Early Retirements	162	84
Death Benefits to Spouses	5	4
TOTAL	209	146

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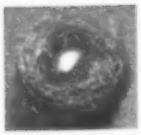


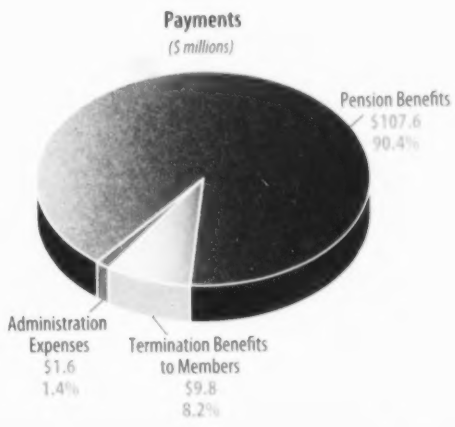
Statistics, continued...

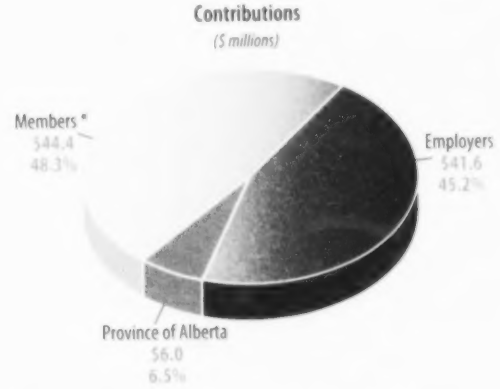
NEW PENSIONER RETIREMENT CHOICES
DURING 2004

	2004	2003
Single life – with or without guarantee	52	30
Joint life – 2/3 spouse, no guarantee	26	20
Joint life – 2/3 spouse, 10-year guarantee	70	46
Joint life – 100% spouse, no guarantee	17	4
Joint life – 100% spouse, 10-year guarantee	44	46
TOTAL	209	146

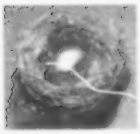
MONTHLY PAYMENT DISTRIBUTIONS
AS AT DECEMBER 31, 2004

Dollar value ($) per month	Member pensions	Spouse's pensions	Total
$1 to 999	215	17	232
$1,000 to 1,999	400	41	441
$2,000 to 2,999	552	34	586
$3,000 to 3,999	688	23	711
$4,000 and over	925	3	928
TOTAL	2,780	118	2,898





* member contributions include prior service contributions



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2004 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2004 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management (AIM) of Alberta Finance, acting in the capacity of investment manager, and Mellon Human Resources and Investor Solutions and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

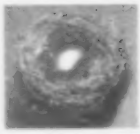
These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Virendra Gupta
Executive Director
Universities Academic Pension Plan

David Taylor, CA
Director, Finance and Administration
Universities Academic Pension Plan



TO THE BOARD OF TRUSTEES OF THE UNIVERSITIES ACADEMIC PENSION PLAN

We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2004 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

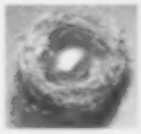
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2004 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Edmonton, Canada
May 18, 2005



STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

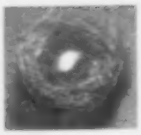
	2004	2003
Net assets available for benefits	*($ thousands)*	
Assets		
Investments (Note 3)	$ 1,895,330	$ 1,724,718
Accrued investment income and accounts receivable	636	723
Contributions receivable		
Employers	3,573	2,683
Employees	3,923	2,743
Province of Alberta	896	467
	1,904,358	1,731,334
Liabilities		
Accounts payable and accrued liabilities	337	286
Net assets available for benefits	1,904,021	1,731,048
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))	(96,000)	3,100
Actuarial value of net assets available for benefits	1,808,021	1,734,148
Actuarial deficiency (Note 8)	643,979	538,352
Accrued pension liability	**$ 2,452,000**	**$ 2,272,500**

See accompanying notes and schedules.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	2004	2003
Contributions received	*($ thousands)*	
Current and optional service		
Employers	$ 37,328	$ 31,182
Employees	40,107	32,338
Additional contributions to meet pre-1992 unfunded liability		
Employers	4,246	314
Employees	4,246	314
Province of Alberta	6,032	5,602
	91,959	69,750
Other income		
Net investment income (Note 6)	200,008	226,402
Payments made		
Pension benefits	(107,566)	(98,054)
Termination benefits	(9,828)	(6,979)
Plan expenses (Note 7)	(1,600)	(1,499)
	(118,994)	(106,532)
Increase in net assets	172,973	189,620
Net assets available for benefits at beginning of year	1,731,048	1,541,428
Net assets available for benefits at end of year	**$ 1,904,021**	**$ 1,731,048**

See accompanying notes and schedules.



STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

For the year ended December 31

	2004			2003
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Increase in accrued pension liability				
Interest accrued on liability	$ 105,400	$ 59,200	$ 164,600	$ 155,100
Benefits earned	-	69,400	69,400	64,300
Changes in actuarial assumptions (Note 8)	19,000	18,800	37,800	45,600
Net experience losses (gains)	12,500	7,100	19,600	(23,500)
Change in the maximum pensionable salary limit	-	9,500	9,500	17,000
Adjustment for higher than assumed future cost-of-living increases	-	-	-	19,700
	136,900	164,000	300,900	278,200
Decrease in accrued pension liability				
Benefits paid, including interest	96,400	25,200	121,600	108,800
Changes in TIAA-CREF* balances and present value of prior service payments	(200)	-	(200)	2,200
	96,200	25,200	121,400	111,000
Net increase in accrued pension liability	40,700	138,800	179,500	167,200
Accrued pension liability at beginning of year	1,504,321	768,179	2,272,500	2,105,300
Accrued pension liability at end of year (Note 8)	**$ 1,545,021**	**$ 906,979**	**$ 2,452,000**	**$ 2,272,500**

* *TIAA-CREF refers to the funds that certain members have with Sun Life in respect of service with their employers prior to the establishment of the UAPP in 1978.*

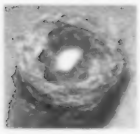
See accompanying notes and schedules.

STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY

For the year ended December 31

	2004			2003
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Actuarial deficiency at beginning of year	$ 455,421	$ 82,931	$ 538,352	$ 409,672
Increase in net assets available for benefits	(38,921)	(134,052)	(172,973)	(189,620)
Net change in actuarial adjustment for fluctuation in fair value of net assets	60,700	38,400	99,100	151,100
Net increase in accrued pension liability	40,700	138,800	179,500	167,200
Actuarial deficiency at end of year	**$ 517,900**	**$ 126,079**	**$ 643,979**	**$ 538,352**

See accompanying notes and schedules.



NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act*. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

(a) GENERAL

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees are eligible for membership.

(b) FUNDING POLICY

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions is equally split between employees and employers.

Under the *Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203)*, the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

In 2004, for employees of the Universities of Alberta, Calgary and Lethbridge, rates were 8.015% (2003: 6.375%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 10.415% (2003: 8.775%) on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.88% (2003: 0.07%) on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Employees of Athabasca University and The Banff Centre contribute at the rate of 7.515% (2003: 5.875%) of pensionable salaries up to the Canada Pension Plan's YMPE and 9.915% (2003: 8.275%) on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide equal matching contributions of 0.88% (2003: 0.07%) on earnings above the pensionable salary cap.

(c) RETIREMENT BENEFITS

The Plan provides for a pension based upon the average salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

(d) DEATH BENEFITS

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be paid.

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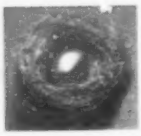


Note 1 Summary Description of the Plan, continued...

(e) TERMINATION BENEFITS

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

(f) DISABILITY BENEFITS

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(g) OPTIONAL SERVICE AND TRANSFERS

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

(h) COST-OF-LIVING ADJUSTMENTS

Pensions payable are increased each year by an amount equal to 60% of the average of the increases in the Alberta Consumer Price Index in the twelve-month period ending on October 31st of the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) VALUATION OF ASSETS AND LIABILITIES

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

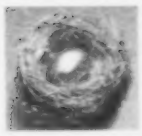
The fair value of alternative investments including investments in private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would



be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.

(d) INCOME RECOGNITION

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) FOREIGN EXCHANGE

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for those transactions that are covered under the terms of a forward exchange contract where the contract rate of exchange is used. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(f) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(g) MEASUREMENT UNCERTAINTY

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimate and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (See Note 8 (b)).

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long Term Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(e) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX

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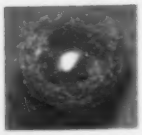
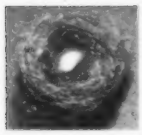


NOTE 3 INVESTMENTS (SCHEDULES B TO F)

	2004 Fair Value ($ thousands)	%	2003 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 12,192	0.6	$ 14,174	0.8
Canadian Dollar Long Bond Pool (b)	324,998	17.1	294,199	17.1
Real Rate of Return Bonds (c)	249,192	13.2	252,978	14.7
Total fixed income securities	586,382	30.9	561,351	32.6
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (d)	193,021	10.2	183,418	10.6
External Managers				
Canadian Large Cap Equity Pool (e)	152,789	8.1	157,691	9.2
Canadian Small Cap Equity Pool (e)	41,034	2.2	19,338	1.1
Private Equity Pool (f)	1,995	0.1	2,469	0.1
Canadian Pooled Equities Fund	-	-	623	-
	388,839	20.6	363,539	21.0
United States Equities (Schedule D)				
US Passive Equity Pooled Fund (g)	265,422	14.0	256,543	14.9
External Managers				
US Small/Mid Cap Equity Pool (h)	57,407	3.0	32,304	1.9
US Large Cap Equity Pool (h)	40,243	2.1	44,830	2.6
S&P 500 Pooled Index Fund (g)	3,167	0.2	3,062	0.2
	366,239	19.3	336,739	19.6
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (i)	219,023	11.5	212,738	12.3
EAFE Plus Equity Pool (i)	102,273	5.4	89,248	5.2
Emerging Markets Equity Pool (j)	62,129	3.3	58,477	3.4
EAFE Passive Equity Pool (k)	7,466	0.4	8,696	0.5
EAFE Structured Equity Pooled Fund (k)	101,779	5.4	91,972	5.3
	492,670	26.0	461,131	26.7
Alternative Investments - Equities				
Private Income Pool (l)	15,681	0.8	1,958	0.1
Real Estate Equities (Schedule F)				
Private Real Estate Pool (m)	45,519	2.4	-	-
Total equities	1,308,948	69.1	1,163,367	67.4
Total investments	**$ 1,895,330**	**100.0**	**$ 1,724,718**	**100.0**



Note 3 Investments, continued...

Composite Index over a four-year period while reducing return volatility through multiple managers, each of whom has a different investment style and market capitalization focus.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The US Passive Equity Pooled Fund and the S&P 500 Pooled Index Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the Standard & Poor's S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pools utilize a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pools also invest in futures, swaps and other structured investments.

(h) The External Managers US Small/Mid Cap Equity Pool consists of a single portfolio and the External Managers US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US small/mid cap or large cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index for the US Small/Mid Cap Pool and the S&P 500 Index for the US Large Cap Pool over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(i) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(j) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

(k) The External Managers EAFE (Europe, Australasia and Far East) Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(l) The Private Income Pool is managed with the objective of providing an investment return comparable to the Consumer Price Index plus 6% over the long term. The pool invests in infrastructure-related projects that are structured to yield high current income.

(m) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank ('IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

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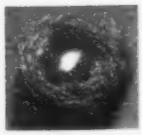


Note 4 Investment Risk Management, continued...

Long-term real rate of return expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a long-term benchmark policy asset mix of 27.5% fixed income instruments and 72.5% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, and quality constraints within asset classes. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount.

An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

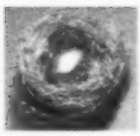
Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2004:

	2004					2003	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value *	Notional Amount	Net Fair Value *
	%			($ thousands)			
Equity index swap contracts	78	22	-	$ 479,134	$ 19,327	$ 457,134	$ 19,403
Interest rate swap contracts	39	56	5	191,347	(7,718)	203,911	(10,378)
Cross-currency interest rate swap contracts	37	38	25	127,606	(5,616)	138,180	(14,495)
Forward foreign exchange contracts	100	-	-	58,857	(238)	18,981	(43)
Credit default swap contracts	20	22	58	48,214	85	7,836	(97)
Equity index futures contracts	100	-	-	9,133	1,077	7,170	872
				$ 914,291	$ 6,917	$ 833,212	$ (4,738)

* *The method of determining fair value of derivative contracts is described in Note 2(f).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.



NOTE 6 NET INVESTMENT INCOME

Net investment income is comprised of the following:

	2004	2003
	($ thousands)	
Net realized and unrealized gains on investments, including those arising from derivative transactions	$ 140,190	$ 171,321
Interest income	45,469	41,836
Dividend income	15,401	14,588
Real estate income	1,138	-
Securities lending income	500	509
Pooled funds management and associated custodial fees	(2,690)	(1,852)
	$ 200,008	**$ 226,402**

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2004	2003
	($ thousands)	
Fixed Income Securities	$ 74,384	$ 56,921
Canadian Equities	52,199	77,055
Foreign Equities		
United States	14,500	25,694
Non-North American	56,665	66,568
Alternative Investments - Equities	478	164
Real Estate Equities	1,782	-
	$ 200,008	**$ 226,402**

NOTE 7 PLAN EXPENSES

	2004	2003
	($ thousands)	
General Plan costs	$ 1,245	$ 1,145
Investment management costs	355	325
Transition costs	-	29
	$ 1,600	**$ 1,499**

Plan expenses amounted to $169 per member (2003 $167 per member).

Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Finance on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $2,690,000 (2003 $1,852,000), which have been deducted in arriving at the calculation of net investment income of the pools (see Note 6), are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.225% (2003: 0.194%) of assets under administration.

NOTE 8 ACCRUED PENSION LIABILITY

(a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2004 by the Plan's actuarial consultants, Mercer Human Resource Consulting. The actuarial liabilities were determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

	2004 Valuation	2003 Extrapolation
	%	%
Asset real rate of return	4.0	4.0
Inflation rate	2.75	3.0
Investment return (discount rate)	6.75	7.0
Salary escalation rate *	2.75	3.5
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

** In addition to merit and promotion*

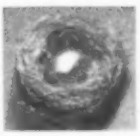
The major assumptions used were:

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2004 allocated between the pre-1992 and post-1991 periods:

	2004			2003
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Fair value of net assets	$ 1,082,721	$ 821,300	$ 1,904,021	$ 1,731,048
Actuarial adjustment for fluctuation in fair value of net assets	(55,600)	(40,400)	(96,000)	3,100
Actuarial value of net assets available for benefits	1,027,121	780,900	1,808,021	1,734,148
Accrued pension liability	1,545,021	906,979	2,452,000	2,272,500
Actuarial deficiency	**$ 517,900**	**$ 126,079**	**$ 643,979**	**$ 538,352**

The Plan's unfunded liability for service prior to January 1, 1992 is currently being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 1.76% of salaries required to eliminate the unfunded liability on or before December 31, 2043. Based on the valuation at December 31, 2004, the rates are being increased effective July 1, 2005 to 1.14% each for employers and employees. The actuarial valuation shows the present value at December 31, 2004 of the Province of Alberta's obligation for future additional contributions was $183.4 million.

Effective January 1, 2004, the Plan's unfunded liability for service after December 31, 1991, as determined by an actuarial valuation at December 31, 2002, is financed by special payments of 1.26% of salaries shared equally between employers and employees over 15 years from the date of valuation until December 31, 2017. Based on the valuation at December 31, 2004, the rates are being increased to 1.32% each for employers and employees over 15 years to December 31, 2019.



(b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

		Sensitivities	
	Changes in Assumptions %	Increase in Plan's Actuarial Deficiency *($ millions)*	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 140.4	0.92%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	36.8	0.68%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	319.6	3.30%

* *The current service cost as a % of pensionable earnings as determined by the December 31, 2004 valuation is 15.72%.*

NOTE 9 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by Plan Sponsors are as follows:

Remuneration rates effective March 1, 2004	Chair	Trustee
Up to 4 hours	$ 165	$ 122
4 to 8 hours	280	203
Over 8 hours	447	318

During the year, the following amounts were paid:	2004	2003
Remuneration		
Chair	$ 3,514	$ 3,716
Trustees (8)	29,155	30,541
Travel expenses		
Chair	1,969	1,388
Trustees (8)	22,571	19,560

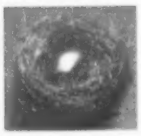
Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours. As provided for in the Sponsorship and Trust Agreement, the fees in respect of the Chair were paid to the respective academic staff association.

NOTE 10 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with the 2004 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Trustees of the Plan.



SCHEDULE A
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED DECEMBER 31

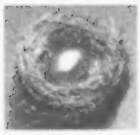
The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one- four- and eight -year periods ended December 31, 2004 are as follows:

	One Year Return				Compound Annualized Return	
	2004	2003	2002	2001	4 Year	8 Year
Time-weighted rates of return						
Short-term fixed income	2.2	3.0	2.8	4.9	3.2	4.1
Scotia Capital 91-Day T-Bill Index	2.3	2.9	2.5	4.7	3.1	3.8
Long-term fixed income	10.4	9.4	11.9	5.9	9.4	7.7
Scotia Capital Long Term Bond Index	10.3	9.1	11.1	6.1	9.1	9.1
Real rate of return bonds	17.6	13.5	15.3	(0.9)	11.1	9.9
Scotia Capital Real Return Bond Index	17.5	13.3	15.3	0.5	11.4	10.1
Total fixed income	13.9	11.4	14.0	2.8	10.4	8.7
Fixed Income Index (a)	13.5	11.0	13.0	3.6	10.2	8.8
Canadian equities	14.9	26.4	(12.0)	(9.5)	3.7	7.6
Canadian Equity Index (b)	14.9	26.7	(12.4)	(12.6)	2.8	7.4
United States equities	4.0	7.8	(22.5)	(7.1)	(5.2)	4.8
Standard & Poor's 500 Index	3.3	5.3	(22.9)	(6.4)	(5.9)	6.2
Europe, Australasia and Far East	11.7	14.3	(15.8)	(16.0)	(2.5)	5.5
MSCI EAFE Index	12.0	13.4	(16.8)	(16.5)	(3.1)	3.2
Emerging Markets	20.1	25.1	(6.0)	5.7	10.5	n/a
MSCI Emerging Markets Free Index	17.3	27.8	(7.0)	3.8	9.7	n/a
Total foreign equities	8.9	12.3	(18.0)	(10.6)	(2.7)	5.3
Foreign Equity Index (c)	8.9	10.7	(18.9)	(10.5)	(3.3)	5.3
Alternative investments	4.5	n/a	n/a	n/a	n/a	n/a
CPI plus 6% (d)	n/a	n/a	n/a	n/a	n/a	n/a
Real Estate (e)	n/a	n/a	n/a	n/a	n/a	n/a
IPD Large All Property Index (e)	n/a	n/a	n/a	n/a	n/a	n/a
Overall	11.7	15.0	(6.3)	(5.1)	3.4	6.7
Policy Benchmark	11.6	14.0	(7.1)	(5.3)	2.9	6.4

(a) 57.1% Scotia Capital Long Term Bond Index and 42.9% Scotia Capital Real Return Bond Index.
(b) 90.0% S&P/TSX Composite Index and 10.0% Nesbitt Burns Small Cap Index.
(c) 37.8% S&P 500, 6.7% Russell 2500, 48.8% MSCI EAFE Index and 6.7% MSCI Emerging Markets Free Index.
(d) Implemented from May 2005. CPI plus 6% for one year 8.5%.
(e) Commenced operations in July 2004.



SCHEDULE B
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES AS AT DECEMBER 31

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and Short-term Securities	$ 14,242	$ 15,632
Fixed Income Securities (a)		
Public		
Government of Canada direct and guaranteed	320,215	336,602
Provincial, direct and guaranteed	157,149	127,997
Municipal	12,534	9,947
Corporate	78,795	67,849
	568,693	542,395
Receivable from sale of investments and accrued investment income	3,447	3,324
	$ 586,382	**$ 561,351**

(a) Fixed income securities held as at December 31, 2004 had an average effective market yield of 3.83% per annum (2003: 4.24%). The following term structure of these securities as at December 31, 2004 was based on principal amount.

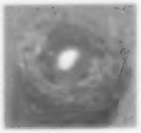
	2004	2003
	%	
5 to 10 years	4	3
11 to 20 years	26	30
over 20 years	70	67
	100	**100**

SCHEDULE C
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES AS AT DECEMBER 31

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and Short-term Securities	$ 3,438	$ 3,318
Public Equities (a) (b)		
Consumer discretionary	30,724	27,246
Consumer staples	18,797	16,416
Energy	67,459	50,954
Financials	114,163	106,173
Health care	7,279	8,872
Industrials	31,337	35,154
Information technology	22,538	20,509
Materials	66,513	60,856
Telecommunications services	16,336	17,125
Utilities	2,832	8,873
	377,978	352,178
Passive index	656	187
	378,634	352,365
Private Equity Pool	1,995	2,469
Receivable from sale of investments and accrued investment income	5,001	5,770
Liabilities for investment purchases	(229)	(383)
	4,772	5,387
	$ 388,839	**$ 363,539**

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $136,575,000 (2003 $119,861,000), which were used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

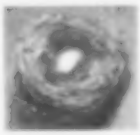


SCHEDULE D
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
AS AT DECEMBER 31

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and Short-term Securities	$ 12,808	$ 18,255
Public Equities (a) (b)		
Consumer discretionary	47,633	43,597
Consumer staples	30,811	32,129
Energy	25,650	18,495
Financials	71,149	66,544
Health care	44,355	41,775
Industrials	45,142	35,837
Information technology	54,111	55,712
Materials	14,446	10,400
Telecommunication services	9,868	10,044
Utilities	10,554	9,221
	353,719	323,754
Passive index	-	87
	353,719	323,841
Receivable from sale of investments and accrued investment income	2,947	2,951
Liabilities for investment purchases	(3,235)	(8,308)
	(288)	(5,357)
	$ 366,239	**$ 336,739**

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $255,605,000 (2003 $245,425,000), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.



SCHEDULE E
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES AS AT DECEMBER 31

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and Short-term Securities	$ 8,083	$ 8,815
Public Equities (a) (b)		
Consumer discretionary	64,174	62,946
Consumer staples	26,650	33,296
Energy	39,060	33,781
Financials	129,042	114,729
Health Care	27,254	32,279
Industrials	49,083	46,317
Information Technology	22,177	28,831
Materials	38,014	39,263
Telecommunication services	39,183	42,122
Utilities	18,726	16,588
	453,363	450,152
Passive Index	26,122	53
Receivable from sale of investments and accrued investment income	6,884	5,400
Liabilities for investment purchases	(1,782)	(3,289)
	5,102	2,111
	$ 492,670	$ 461,131

(a) The Plan's net investment in non-North American public equities includes the fair value of deposits and floating rate notes, totalling $96,087,000 (2003 $88,329,000), which were used as underlying securities to support the notional amount of non-North American equity index swap contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

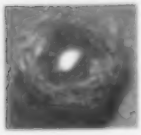
	Plan's Share	
	2004	2003
	($ thousands)	
United Kingdom	$ 103,220	$ 94,995
Japan	78,791	66,991
France	39,333	39,538
Germany	30,031	28,404
Switzerland	29,195	31,422
Netherlands	23,657	22,292
Australia	20,349	20,655
Italy	17,998	17,161
Spain	11,546	11,042
Sweden	11,207	7,796
Other	88,036	109,856
	$ 453,363	$ 450,152

SCHEDULE F
SCHEDULE OF INVESTMENTS IN REAL ESTATE AS AT DECEMBER 31

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and Short-term Securities	$ 5	$ -
Real Estate (a)		
Office	22,751	-
Retail	16,338	-
Industrial	3,589	-
Residential	2,205	-
	44,883	-
Passive Index	567	-
Receivable from sale of investments and accrued investment income	64	-
	$ 45,519	$ -

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2004	2003
Ontario	$ 29,097	$ -
Alberta	9,950	-
Quebec	5,055	-
British Columbia	781	-
	$ 44,883	$ -



GLOSSARY – TERMS

ACTIVE MANAGEMENT
Active management of assets generally takes two forms – security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the S&P 500 for US stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class weights in the policy asset mix.

ACTIVE MEMBER
A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

ASSET MIX
The percentage of a plan's assets allocated to the major asset classes (for example, 35.0% fixed income and 65.0% equities).

BENCHMARK
A standard such as the S&P 500, against which performance is measured. For the purposes of this report, benchmarks are established return indices (listed in percentages) used to measure the Fund's relative investment returns.

BOND
A promissory note issued by a company or government which bears a fixed maturity date and a rate of interest.

DEFERRED MEMBER
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has a right to a deferred pension.

EMERGING MARKET
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

EQUITY
Stock; the ownership interest in a company.

EXTERNAL MANAGER
A third-party firm contracted by the Investment Manager to provide investment management services.

LARGE CAP
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

PASSIVE MANAGEMENT
Passive management involves investing to replicate the performance of a given market index such as the S&P/TSX (Capped) for Canadian stocks.

POLICY BENCHMARK
The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

REAL RETURN BOND
A marketable bond that pays semi-annual interest based on a real interest rate, i.e. a rate adjusted for changes in the consumer price index (Canada).

SMALL CAP
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of up to 0.15% of the Toronto Stock Exchange market capitalization.

STATEMENT OF INVESTMENT POLICIES AND GOALS
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

SWAP (STRUCTURED INVESTMENT)
An agreement to exchange certain securities, usually future cash flows, on certain dates in the future. The size of these cashflows is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount in a non-leveraged account, is not exchanged between counterparties.

T-BILL
A short-term government security.

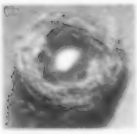
TOTAL RETURN
Interest income plus price increases or decreases.

UNFUNDED LIABILITY
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

YMPE (YEAR'S MAXIMUM PENSIONABLE EARNINGS)
The maximum earnings set each year by the Canada Pension Plan (CPP) on which you are required to make CPP contributions. The Average YMPE is the annual average of the YMPE over the same period as your highest average salary.

The YMPE for recent years is shown below:

2000	$ 37,600	2003	$ 39,900
2001	$ 38,300	2004	$ 40,500
2002	$ 39,100	2005	$ 41,100



GLOSSARY – INDICES

CONSUMER PRICE INDEX (CPI)
Measures the relative prices at various times of a selected basket of goods and services.

FRANK RUSSELL MEDIAN MANAGER
A reference point for measuring performance. Frank Russell Canada Limited conducts surveys of balanced fund managers on a quarterly basis to create the Frank Russell universe. From this universe, Frank Russell determines the median (or middle-ranked) manager.

Related Terms: Frank Russell Canada Limited is an independent performance measurement firm that measures the relative performance of investment managers. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long-term growth.

MSCI EAFE INDEX
(MORGAN STANLEY CAPITAL INTERNATIONAL – EUROPE, AUSTRALASIA, AND THE FAR EAST)
The MSCI EAFE index is an international stock index that was developed in 1969 by Morgan Stanley Capital International to track changes in the equity markets of developed countries outside North America. The index includes 21 nations. Stocks are selected for the MSCI EAFE based on their countries of origin and their standing within their individual industry group.

MSCI EMF INDEX
(MORGAN STANLEY CAPITAL INTERNATIONAL – EMERGING MARKET FREE)
The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The index is calculated on a total return basis, which includes re-investment of gross dividends before deduction of withholding taxes. As of December 2003 the MSCI Emerging Markets Free Index consisted of 26 emerging market country indices.

RUSSELL CANADIAN PROPERTY INDEX
Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

S&P/TSX (CAPPED)
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the total return of the largest companies that trade on the Toronto Stock Exchange. In the S&P/TSX (capped), a single company's weight in the index is capped at 10.0%.

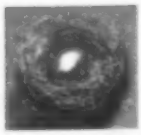
SCOTIACAPITAL MARKETS 91-DAY T-BILL INDEX
Measures the total return attributable to 91-Day T-bills. Maintained by ScotiaCapital.

SCOTIACAPITAL MARKETS LONG BOND INDEX
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB).

SCOTIA CAPITAL MARKETS REAL RETURN BOND INDEX
Measures the total return attributable to real return bonds (bonds whose return is linked to an inflation index).

SCOTIACAPITAL MARKETS UNIVERSE BOND INDEX
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

STANDARD & POOR'S 500 INDEX
The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of US equity performance.



2005 DIRECTORY

MANAGEMENT TEAM

Virendra Gupta, MASc, CFA
Executive Director
Phone: (780) 415-8869
Email: virendra.gupta@uapp.ca

David Taylor, CA
Director, Finance & Administration
Phone: (780) 415-8870
Email: david.taylor@uapp.ca

Laurence Waring, Honours BA
Director, Investments
Phone: (780) 415-8867
Email: laurence.waring@uapp.ca

Natalie Yamniuk
Pension Officer
Phone: (780) 415-8868
Email: natalie.yamniuk@uapp.ca

Patricia Verhagen, BA
Administrative Officer
Phone: (780) 415-8866
Email: pat.verhagen@uapp.ca

CONTACT THE BOARD OF TRUSTEES AT:

Universities Academic Pension Plan
#504, Park Plaza
10611 – 98 Avenue
Edmonton, AB T5K 2P7
Fax: (780) 415-8871
Website: www.uapp.ca

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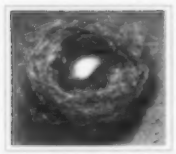

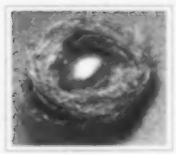

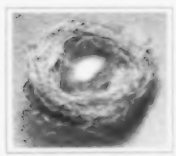

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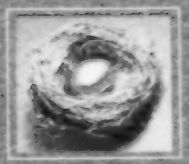

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